

## **7.14.00.00 - EXCESS LAND APPRAISALS**

### **7.14.01.00      General**

Requests for excess property valuations will originate in the Excess Land Branch or the Acquisition Branch. A copy of the written request will be included in the Report.

Excess land appraisals, Market-Value Determinations, and estimates may be prepared by a Right of Way Agent, Range B, provided the Agent's qualifications are commensurate with the complexity of the valuation problem.

At the discretion of the DDC-R/W, Market-Value Determinations and Public Sale Estimates of market value may be prepared by an agent assigned to the Excess Land Branch. However, the Market-Value Determination must be reviewed and recommended for approval by a Senior Right of Way Agent assigned to the Appraisal Branch.

When the same agent prepares the Market-Value Determination or Public Sales Estimate and conducts the sale, RW 7-17A, Certificate of Market-Value Determination, must be revised. It should contain the following statement:

“That I understand I may be assigned as the sales agent for one or more parcels contained in this report, but this has not affected my professional judgment nor influenced my opinion of value.”

Only in the instances cited above, may an excess land valuation be prepared by an agent assigned to the Excess Land Branch.

### **7.14.01.01      Sale**

Excess property can be sold by the following methods:

- A. Public sale by auction or sealed bid.
- B. Private auction or sealed bid sale between adjoining owners.
- C. Direct conveyances.
  - 1. Direct sale to adjoining owner (Findings “A” and “B.”)
  - 2. To other governmental agencies.
  - 3. To Public Utilities.
  - 4. By Cooperative Agreements.
  - 5. Pursuant to Legislation.
  - 6. To qualifying occupants under certain statutory requirements.
  - 7. Exchange pursuant to a contractual obligation.
- D. Transfer of Control and Possession.

#### **7.14.01.02**      **Valuations**

There are three basic types of excess land valuations. They are Public Sale Estimates, Market-Value Determinations, and Market Value Appraisals.

Dual market value appraisals are required for excess land parcels of \$500,000 or more that are proposed for direct sale to private parties. A dual appraisal is not required if the proposed sale is a direct sale to a public agency. Exceptions may be made by HQ R/W for noncontroversial direct sales to private entities.

When dual appraisal reports are required for parcels valued from \$500,000 to \$999,999, the appraisals can be prepared by Caltrans journey-level or higher staff appraisers. When dual appraisal reports are required for parcels valued at \$1,000,000 or more, one must be prepared by an independent fee appraiser and the other may be prepared by a Caltrans journey-level or higher staff appraiser. The requirements are as follows:

1. Proposed direct sales to private parties of excess property valued from \$500,000 to \$999,999:
  - a. The requirement for waiver of the dual appraisal and approval of the excess land appraisal remains with Headquarters Right of Way.
  - b. The criteria for waiver of the dual appraisal are similar to those related to project appraisals (Section 7.01.07.01), except for issues related to severance damages.
  - c. The memorandum requesting waiver of the dual appraisal will contain sufficient documentation to support the request for the waiver and will be signed by the District Division Chief.
  - d. Staff can prepare both appraisals.
2. Proposed direct sales of excess property to private parties valued at \$1,000,000 and over:
  - a. The requirement for waiver of the dual appraisal and approval of the excess land appraisal remains with Headquarters Right of Way. It is, however, expected that few, if any, excess land parcels in this category will qualify for a waiver.
  - b. Staff can prepare the first appraisal and an independent fee appraiser is required to prepare the second appraisal.
3. Proposed direct sales of excess property to a public agency valued at \$1,000,000 and over: Consistent with Section 7.14.01.02, a dual appraisal is not required and staff may prepare the single report. However, if the parcel is controversial, or politically sensitive, the Region/District should strongly consider hiring an independent appraiser.

#### **7.14.02.00**      **Review and Approval of Excess Land Appraisals and Public Sale Estimates**

A field review of the subject and comparable data by the Appraisal Senior is required prior to recommendation of the estimate for approval. All valuations shall be approved in accordance with the current delegations. The Airspace Advisory Committee (AAC) reviews any excess land parcel with a value of \$1,000,000 or more prior to its submittal to the CTC.

#### **7.14.03.00**      **Public Sale Estimates**

A Public-Sale Estimate will be prepared for all excess parcels to be sold by public sale, except where a market-value appraisal has already been prepared. It is an estimate of current market value, in brief written form, containing the minimum reasonable parcel description, value analysis and supporting data. While the intention is to complete the estimate as rapidly as possible, it is also important that the appraiser strive for a reasonable level of quality and accuracy.

It is intended to provide the Excess Land Branch with an estimate of market value in the least possible time. The estimate will be used as the basis for setting the minimum bid on property to be offered at public sale.

This estimate of market value is to consider the parcel at its highest and best use as a separate parcel. It must consider present zoning as it affects the value for such use, along with the potential for rezoning.

The full market effect of all damages and benefits including noncompensable damages and general benefits must be considered. Also consider the economic effect of delay in the use of the property pending completion of construction of the transportation project.

#### **7.14.03.01**      **Format**

The Public Sale Estimate Report should usually be prepared in the format of Exhibit 7-EX-15 and have map(s) attached.

#### **7.14.03.02**      **Content**

The report may be typed, but a legibly written, reproducible estimate is acceptable. The essential items to appear on the page are:

- Excess property identification (Region/District County, Route and Director's Deed number, Excess Land parcel number(s) and property address).
- Zoning of the property.
- Highest and Best Use of the property and comment in support thereof.
- A brief narrative description of the subject (including improvements), and its neighborhood setting.
- A description of easements or other legal encumbrances.
- A brief statement about the supporting data used.
- A brief analysis.
- Market Value Estimate, including separate land and improvement values if applicable.
- Date of value.
- Estimator's name, signature and date.
- Senior Appraiser's name, signature and date.
- Approving Right of Way Agent's name, signature, title and date.

#### **7.14.03.03**      **Examples of Supporting Data:**

- **Primary**

- a. Comparable sale(s).
- b. Comparable listing(s).

- **Secondary**

Market value opinion(s) from:

- a. County assessor or staff appraisal members.
- b. Real estate brokers or sales persons.
- c. Real estate developers.
- d. Real estate buyers and sellers.
- e. Real estate appraisers, public or private.
- f. Other people with credible knowledge about real estate values relevant to the subject.

- State excess land sales

#### **7.14.04.00**      **Market-Value Appraisals - General**

A Market-Value Determination or a Market-Value Appraisal will be prepared for all properties to be sold at other than a public sale. "Market Value" is defined as the value of the parcel at its highest and best use, which may be as plottage to adjoining property. The Market-Value Determinations or Market-Value Appraisals must consider the full market effect of all damages and benefits, and the economic effect of delay in the use of the property pending completion of construction of the transportation project.

There are some specific valuation concepts and considerations associated with Excess Market Value Appraisals.

- A. Excess property with a highest and best use as plottage (joinder) to an adjoining property will be appraised at the amount it adds to the value of the adjoining property. The before and after valuation method will be used. Thus, the adjoining property will first be appraised as a separate parcel and then as a combined parcel with the excess property. The difference between the two values will be the market value of the excess parcel. Where the excess parcel is a minor remnant, likely to add a value of \$5,000 or less, a simple approximation of the value of the adjoining property is sufficient or this may be omitted entirely.

In valuing the combined parcels, the appraiser should consider the appropriate costs of physically joining the excess property with the adjacent property. For example, assume that there is a substantial grade difference between the excess and the adjacent property. Also assume that the comparable data indicates that the combined parcel would sell for \$100,000 if the two parcels were essentially at the same elevation. Assuming that it will cost \$10,000 to bring the two parcels to an elevation where they could be developed together, the amount of \$10,000 would be an appropriate deduction from the \$100,000 value.

When the excess parcel being valued adjoins more than one ownership, it will be appropriate to indicate the value of the excess parcel as plotted to each of the adjoining ownerships. The value as shown on page 1 of the Excess Land Market Value Sheet (Form RW 7-18) will be that which is the highest value. Lower values considering plottage to other adjoining ownerships may be indicated by notation on the Excess Parcel Market Value Sheet or attachment thereto.

In plottage situations, the appraisal will include a map showing the excess and all adjoining ownerships.

When an adjoining property(s) requests decertification of right of way, the appraised value will not be reduced by the costs of relocating or reconstructing any necessary highway facilities such as freeway fencing, drainage facilities, slopes, landscaping, etc. The buyers of decertified right of way must pay for necessary costs of rearranging utilities, fencing, landscaping and other improvements which may be affected by the decertification.

- B. Utility easements to be conveyed to utility companies will be appraised at market value.
  - 1. If the valuation amount is between \$0 and \$500, show “nominal” in the amount column.
  - 2. If the valuation amount is between \$501 and \$2,500, show the actual amount rounded to the nearest \$50, or, show “nominal” followed by the amount shown in parentheses.
- C. Access rights will be valued at the difference between the values of adjoining property with and without encumbrance of the access rights.
- D. Current market data are normally the best comparables. State sale comparables may be used if they meet normal criteria of comparability in time, desirability, market transaction, etc. State sales may best be used to demonstrate damage-benefit relationships between a State sale and contemporary market data in its locality. This relationship may be helpful in applying similar damage-benefit ratios to local market data and the subject parcel.

#### **7.14.04.01      Market-Value Determination of \$10,000 or Less**

An appraisal is not required if the Region/District determines one is unnecessary because the valuation problem is uncomplicated and the fair-market value is estimated at \$10,000 or less based on a review of available data. The Market-Value Determination (MVD) is not an appraisal and is to be used to document the fair-market value of the excess land to be disposed of.

The determination as to which parcel is uncomplicated rests with the Region/District. Among criteria to be considered in making the determination are:

- A. There is no serious question as to highest and best use.
- B. Adequate market data is available.
- C. Substantial enhancement value to adjoining parcel will not occur with the joinder of the excess parcel.

An MVD cannot be used for a valuation problem that is considered complicated and/or complex, regardless of value.

The Market-Value Determination may be based on a review of available relevant data, such as comparable-sales data or listing data, including sales already in the Region/District files, comparable data and multiple-listing service data, opinions of Assessor's Office appraisers or real estate brokers, and other cost sources. Comparable Data Pages and sales location maps are not necessary.

A Market-Value Determination can, subject to approval delegations, be approved at the Senior level. They may be prepared and recommended for approval by an agent of less than Associate grade. It is strongly recommended that the Agent preparing the Market-Value Determination have a good understanding of appraisal valuation concepts.

The same Agent who is assigned to sell the excess parcel can prepare a Market-Value Determination. Refer to 7.14.01.00 for the proper statement to include in RW 7-17A when the single Agent is assigned both activities.

Members or candidates of professional appraisal organizations who are assigned to act in a dual role of Appraiser and Acquisition Agent should check with their organization's Code of Ethics for specific prohibitions and disclosure requirements.

#### **7.14.04.02      The Appraisal Format, Content, and Standards**

A. All appraisals over \$10,000 must follow the general standards of right of way acquisition appraisals.

However, the amount of analysis and degree of documentation should be in proportion to the appraisal problem and valuation involved. Only relevant data should be included. The relevant data should be concisely stated and succinctly analyzed.

The standard right of way acquisition appraisal format will be used except that the Excess Land Title Page (Form RW 7-16) and Excess Land Market Value Sheet (Form RW 7-18) will replace the standard title page and appraisal page.

The Excess Appraisal Request from the Excess Land Branch or the Acquisition Branch should include the acquisition cost of the excess.

B. Market-Value Determinations of \$10,000 or less may be prepared in the format shown in Exhibit 7-EX-16.

1. If the valuation amount is between \$0 and \$500, show the word "nominal" in the amount column.
2. If the valuation amount is between \$501 and \$2,500, show the actual amount; or show "nominal" followed by the amount, rounded to the nearest \$50, shown in parenthesis.

The data required include the market value (shown parenthetically after the word "nominal"), a Senior Field Review Certificate, Certificate of Appraiser, and a parcel map. Photographs and narrative support of the valuation are not required unless HQ R/W approval is requested.

3. If the valuation amount is between \$2,501 and \$10,000, show the actual amount rounded to the nearest \$50. A Senior Field Review Certification (RW 7-5C), Certificate of Market-Value Determination - Excess Land (RW 7-17A), and a parcel map are required. Photographs and narrative support of the valuation are not required unless HQ R/W approval is requested. The Market-Value Determination will ordinarily require only a brief valuation analysis, and the content can be similar to that required for a Public Sales Estimate as indicated in 7.14.03.02 and 7.14.03.03.

Any number of parcels on a single project with a like use can be valued on the same form.

- C. The Uniform Residential Appraisal Report form (URAR) may be used for appraising single family residential properties or 2 to 4 unit multiresidential properties. For further information regarding the use of the URAR form appraisal, see Section 7.07.02.00.

If the URAR form appraisal is used for proposed direct sales of excess pursuant to Government Code Section 54235, et seq. (SB 86, Roberti), the following is to be considered when preparing the appraisal:

- If improvement rehabilitation work is to be completed prior to sale and the parcel is appraised as though the work has been completed, list the rehabilitation work on a separate page attached to the form appraisal.
- The form may also be used to appraise the property before rehabilitation if the Excess Land Sales Section requests such an appraisal. The appropriate premise must be indicated in the appraisal request letter from the Excess Land Sales Section.

#### **7.14.05.00          Review of Request for Proposal Submittals (RFP)**

Proposal Forms received as the result of a Request for Proposals, in the course of sale of residential properties under Government Code Sections 54235 et seq. will be reviewed by the Region/District Appraisal Section. This is to validate the reasonableness of the offers received.

Upon receipt of written request from the Excess Land Sales Section, the Appraisal Branch's responsibility will be to review the Proposal Form to verify that the estimated operating expenses appear appropriate to the particular property involved. That is, fixed and variable operating expenses and reserves for replacements will be reviewed to see that they conform to local practice experience, market expectations and reasonable anticipated costs and economic life standards.

In addition, proposed rehabilitation work and its estimated cost as contained in the proposal should be reviewed to determine whether the work and cost appear appropriate. The review will be commensurate with the extent of the information furnished. Excess Land Sales is responsible for furnishing additional data for consideration if any is required.

The review memorandum should be signed by the Appraisal Manager and a copy retained in the Appraisal files.

**NOTES:**